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CLIMATE WATCH

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U.S. Delivers National Action Plan for Climate Change

Fulfilling its promise to deliver a climate change strategy before the start of the new year, the Bush administration published the National Action Plan for Global Climate Change in December 1992. With the release of the plan, the United States became the first developed country to meet its commitment under the Framework Convention on Climate Change to present a strategy for dealing with climate change issues.

The plan provides an outline of the programs, policies and measures the United States is taking at home and internationally to adapt to and mitigate climate change, as well as to improve our understanding of climate change science.

The plan was prepared through a broad interagency process, incorporating data from all relevant sectors and programs. Although an early draft of the plan was circulated for comment by environmental and private sector organizations, the current version submitted to the Intergovernmental Negotiating Committee (INC) had not been widely available for public comment. As a result, some debate broke out within the Bush administration over whether the current version of the plan was appropriate for presentation to the INC.

In light of the disagreement and the likelihood that the Clinton administration may want to establish its own position in the document, officials chose to submit the plan as the first in a series of regular reports. The United States will submit new iterations of the plan as scientific understanding of climate change improves, and as new policies and measures are created in response to this information. The National Action Plan is open to public comment through March 8, 1993.

As expected, the plan reflected the Bush administration's commitment to a flexible strategy for approaching climate change issues, avoiding strict "targets and timetables" for emissions reductions.

Other important themes in the plan included the need for a comprehensive strategy that addresses all greenhouse gas emissions (not just CO_2); the need for a long-term strategy that will evolve as climate change science and policy are reassessed over the years; and the importance of an integrated response that includes all nations, especially developing countries.

The actions outlined in the National Action Plan are broadly consistent with the messages GCC sends to the public and policymakers on global climate change. As the Clinton administration takes over, GCC is urging the new administration to maintain the current approach to climate change and to support the existing plan.

Copies of the National Action Plan are available from the Office of Global Climate Change, Room 4329-A, US State Department, Washington, DC, 20520-7818 ●

New Caution on Commitments Prevails at INC Meeting

Work Schedule Set for New Year

At the December meeting of the Intergovernmental Negotiating Committee for a Framework Convention on Climate Change (INC) in Geneva, Switzerland, participants approached the issues with a caution that indicates a serious reevaluation of many positions staked out in Rio just six months ago. Ironically, their new perspectives on the issue resemble closely those of the United States, which was criticized by many of these nations during the Rio Summit. John Shlaes (GCC), Fred Mangelsdorf (Texaco) and Rob Long (National Coal Association) attended the meeting for the GCC.

The United States' most important trading partners, including Japan and Germany, have backed away from their earlier promotion of strict commitments for targets and timetables aimed at implementing the Framework Convention on Climate Change. Many of the measures they are now more actively supporting, such as technology cooperation, are those that initially were brought to the table by the United States.

The unveiling of the U.S. National Action Plan on climate change in Geneva helped set the tone for the meeting and secure the United States' role as a leader on international climate change policymaking. The United States was the first developed nation to deliver a national plan. The European Community said its plan would not be ready until December 1993.

At the meeting, the INC established a 1993 work plan. The plan will focus the INC's efforts on preparing for tasks that, according to the Framework Convention, are to be undertaken by the first session of the Conference of Parties,

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A Carbon Tax to Stabilize CO_2?

The Economic Sacrifice Would Damage The U.S. Economy With Little Or No Impact on Climate Change

In reflecting on the Earth Summit, Stephan Schmidheiny, chairman of the Business Council on Sustainable Development, has suggested that the real impact of last year's Earth Summit lies in the fact that it marks the "end of the beginning" of a new way policymakers view economic growth and environmental policy. Mr. Schmidheiny's comments indicate that, after two decades of discussion — from Stockholm to Rio — the message is finally getting through that strong economic growth is a prerequisite for continued environmental protection. This point has been made by the Global Climate Coalition and its members both at Rio and during the discussions leading up to Rio, and has been echoed by other environmental and business groups.

However, even as more policymakers, both at home and abroad, understand this, others are pushing for drastic carbon taxes that could damage, if not destroy, our long-term ability to adapt to or mitigate potential global climate change. As the new administration sets its policy objectives, it is crucial that the severe impacts of a carbon tax are understood and weighed fully.

For Americans, a carbon tax is essentially a surcharge on fossil fuel use, which would mean higher costs for oil, coal and natural gas. The rising cost of these fuels results in price increases in everything from home heating oil to gasoline to electricity. Because the U.S. economy is more heavily dependent on fossil fuel energy to produce goods and deliver services — for a variety of historical and geographical reasons — such a tax would set U.S. business at a disadvantage with its world competitors, leading to a decline in economic growth and loss of jobs.

A study by DRI/McGraw Hill for the Department of Commerce points out just what kind of impact such a unilateral carbon tax would have on the U.S. economy from the year 2000 through 2020. The study found that a carbon tax in the United States (significant enough to stabilize U.S. CO_2 emissions at 80 percent of 1988 levels by the year 2020) would mean an eight-fold increase in the price of coal and a two-fold jump in oil and natural gas prices. It also would result in a loss of about of 600,000 U.S. jobs. Most of these jobs would be lost in high-wage industries where unemployment is already a problem, including steel, mining, energy and automotive. Moreover, actual Gross National Product (GNP) would fall by 4.6 percent by 2010. Furthermore, shifts in trade patterns, as U.S. producers struggle under tax burdens much heavier than those of their international competitors, would be devastating to the United States position in world markets.

A recent study by the Brookings Institution (see related story on the next page) confirms the negative economic impact a carbon tax would have on the U.S. economy, whether imposed unilaterally or across the OECD. One significant consequence of such a tax is a shift of carbon-intensive activities to countries without a carbon tax, thereby limiting or negating the desired effect of such a policy.

Clearly, these forecasts should give pause to any policymaker considering a carbon tax. In addition, a potentially

By John Shlaes

more serious consequence of a carbon tax is the loss of the economic resources needed to address the problems of growth and development in the developing world. These are problems which will be left unsolved by a carbon tax.

Stabilization efforts in developed nations alone are not enough to significantly reduce global greenhouse gas emissions. All predictions show that the majority of future greenhouse gas emissions will come from developing countries as economies and populations grow. Developing countries, therefore, will need the technologies and the assistance of industrialized nations to ensure their economies grow in an environmentally sound manner.

The United States and other developed nations must be in a position economically and strategically to offer developing nations the assistance and technology they will require. A carbon tax seriously jeopardizes our economic health, and thereby our ability to follow the best path to adapt to and mitigate potential global climate change. ●

INC Meeting

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(the governing board for the agreement) which is expected to occur sometime in 1994 or 1995. Two Working Groups of INC member countries were assigned responsibility for the preparation.

Working Group I will work toward establishing methodologies for greenhouse gas inventories and criteria for the "joint implementation" of commitments. Working Group I also will review national reports submitted by industrialized countries and evaluate the adequacy of commitments the reports embrace. The group will work to standardize the format and content of national plans and to develop methodologies for assessing the effectiveness of actions.

Working Group II will address technology transfer and support; the financial mechanism of the Framework Convention; and "procedural, institutional and legal matters."

In addition, the INC Secretariat will establish an information clearinghouse and an information/training program to help developing countries meet their obligations under the Framework Convention.

INC meetings in 1993 are scheduled for March 15-19 in New York and August 16-27 in Geneva. Working Group II will meet in March. Both working groups will meet in August. Among the agenda items for the March meeting is the election of new officers for the INC. ●

Congressional Committee Staff Discuss Energy Priorities

At a January 13 meeting of the National Energy Resource Organization (NERO), Senate and House Committee staff offered their views of energy priorities for the 103rd Congress.

Ben Cooper, majority staff director for the Senate Energy and Natural Resources Committee, said that in developing the National Energy Strategy, that "we addressed a program for renewables and energy efficiency." He downplayed the potential for global climate legislation, saying "We already have a program to address Global Climate Change — the National Energy Policy Act — which was passed last session of Congress." Cooper added that the committee has urged the administration to make the National Energy Policy Act a focal point of their climate program. He also was quick to point out that, "other countries don't have any program [to address climate change], unlike the U.S."

Cooper said that the committee's priorities will be alternative fuels, clean-up of nuclear weapons plant facilities, funding of strategic petroleum reserves, and conversion of laboratory technologies to civilian uses.

Mike Woo, professional staff member of the House Energy and Commerce Committee, said that the energy focus for this year will be on implementation of the National Energy Policy Act, but that the administration will maintain oversight authority. Woo said that the bill provides a framework for industry to move forward.

On global climate change, Woo said that the "issue is ripe" and urged industry to be proactive and to develop a reasoned and rational policy approach. He said that there would be positive benefits if we focus on solutions where economic growth and environmental protection are compatible.

In discussing the complexity of the global climate change issue, Woo issued the warning to industry that "If you think the Clean Air Act has impacted industry, you haven't seen anything, yet."

Woo said that health care reform is likely to be the presiding issue for the better part of the year. Woo also emphasized the Chairman's commitment to funding strategic petroleum reserves. ●

Brookings Institution Study Finds Carbon Tax Costs Overshadow Limited Benefits

In a recent study entitled "The Global Costs of Policies to Reduce Greenhouse Gas Emissions," the Brookings Institution found that a carbon tax to stabilize greenhouse gas emissions "would impose costs that would be much higher than the benefits produced by the policy for a long time to come."

According to one of the study's co-authors, Peter Wilcoxen, a carbon tax would have a severe impact on the coal and electricity sectors. In the United States, a tax large enough to stabilize emissions would reduce coal use by about 25 percent from its base case value by the year 2020. Electric utilities, the largest consumers of coal in the United States, would suffer a 6 percent increase in costs and 5 percent drop in output.

The authors also warn that a carbon tax imposed unilaterally or in a limited number of countries could disrupt trade patterns by encouraging carbon-intensive industries to migrate to countries where they are not taxed. In this scenario, the tax fails to control emissions and harms the U.S. balance of trade. ●

To receive copies of this report, contact Economic Studies Program, Brookings Institution, 1775 Massachusetts Ave., NW, Washington, DC 20036

World Bank Experts Find Removal of Energy Subsidies Reduces Global CO_2 Emissions

In a study prepared for the World Bank's "World Development Report 1992," experts estimated that removing global energy subsidies would achieve a greater reduction in greenhouse gas emissions than a modest carbon tax on industrial countries. According to economist Anwar Shah and World Bank environmental consultant Bjorn Larsen, energy subsidies distort consumption, hurt government revenues and harm efforts to protect the environment.

The study found that removal of fossil fuel subsidies could reduce annual carbon emissions by nearly one-third in the former Soviet Union over a ten-year period. Emissions reductions for most developing countries would fall between 10 and 20 percent. The study estimates the net reduction in global carbon emissions would be on the order of 5 percent—or the same as a \$60-\$70 per ton carbon tax on industrial countries.

Global subsidies for fossil fuels exceed \$230 billion per year—about 25 percent of the total value of world fossil fuel consumption at world prices. The vast majority of world subsidies (about 75 percent) comes from the countries of the former Soviet Union, with China and Poland ranking second and third. Other major subsidizers of energy include the former Czechoslovakia, Venezuela, Mexico, Saudi Arabia, Brazil and India.

Shah and Larsen called the prognosis for acceptance of a global carbon tax slim, in light of the trade-offs with growth and the uncertainty surrounding global climate change forecasts.

In conclusion, the authors said, "For any nation with energy subsidies, the first priority must be the elimination of these [energy] subsidies. This would release \$230 billion in revenue for developing and emerging market economies, reduce global carbon emissions by 5 percent, improve the allocation of economic resources, and make scarce public funds available for development projects." Removing energy subsidies, Larsen and Shah said, is a critical element of any environmentally responsible development strategy for the 1990s. ●

Source: Larsen, B., Shah, A., "Combating the Greenhouse Effect," Finance and Development (December 1992): 20-23

Hearings Offer Insight Into Views of New DOE Secretary and EPA Administrator

Members of the business community have expressed some encouragement at statements made EPA Administrator Carol Browner and DOE Secretary Hazel O'Leary.

Before the Senate Environment and Public Works Committee on January 11, Browner said she wants to end the agency's "adversarial relationship" with the business world.

She said that a new approach is needed from command-and-control regulations, and said that "we can ease the regulatory burden on businesses without compromising the environment." Browner said that she wants EPA to make decisions more quickly on such matters as Superfund sites, recognizing the difficulties for small businesses, and listening more to special concerns of communities and businesses trying to comply with environmental laws.

Hazel O'Leary, in a public statement prior to her hearing, said "In the public sector I've regulated industry broadly. In the private sector, I've been forced to live with those regulations. And perhaps more importantly, I've seen how those regulations, if not carefully crafted and balanced, can impact jobs and lives and economies of people who expected and hoped for better from their government." ●

CLIMATE FILE:

Useful Titles on Global Climate Change

1 *The Climate is Right for Action: Voluntary Programs to Reduce Greenhouse Gas Emissions.* Washington, DC.: The United States Environmental Protection Agency, 1992.

(Contact The Environmental Protection Agency. Call 202-260-7751 and refer to document by title.)

2 *The U.S. Global Change Data and Information Management Program Plan.* Washington, DC.: White House Office of Science and Technology Policy, 1992.

(Contact The Committee on Earth and Environmental Sciences c/o National Science Foundation, Washington DC, 202-357-7861.)

3 Montgomery, W. David. "The Carbon Tax, The Environment, And Economic Growth." Paper prepared for Enhancing Environmental Quality Through Economic Growth, a symposium by the American Council For Capital Formation Center for Policy Research, Washington, DC, September 1992.

(Contact American Council For Capital Formation Center for Policy Research, Washington DC. 202-293-5811.)

4 Lindzen, Richard S. "Global Warming: The Origin and Nature of the Alleged Scientific Consensus." CATO Review of Business and Government (Spring 1992): 87-98.

(Contact CATO Institute at 202-546-0200.)

5 Singer, S. Fred, ed. *The Greenhouse Debate Continued: An Analysis and Critique of the IPCC Climate Assessment.* San Francisco: ICS Press, 1992.

(Contact ICS Press. San Francisco, CA. 1-800-326-0263. Please refer to ISBN 1-55815-233-4.)

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